Staff Summary Report



To: Mayor & City Council Through: City Manager

Agenda Item Number 8
Meeting Date August 9, 2001

SUBJECT: Notice of Intention to Modify Utility Fees

PREPARED BY: Tom Duensing, Senior Accountant (350-8866)

REVIEWED BY: Rich Oesterle, Financial Services Manager (350-8347)

BRIEF: Notice of intention to modify utility fees.

COMMENTS: MISC FEES (0210-05) Request to adopt the Notices of Intention setting the

time (7:30 p.m.) and date (September 13, 2001) for the hearings to modify water

rates, wastewater rates, and development fees.

Document Name: (20010809fsae01) Supporting Documents: Yes

SUMMARY: On July 26, 2001, Council directed staff to proceed with water rate, wastewater

rate and development fee adjustments. The recommended adjustments are necessary to ensure the utility maintains adequate financial reserves to avoid short-term rate spikes, an equitable distribution between growth and non-growth elements of the capital improvement program, and full cost recovery of its

operations.

Water and Wastewater Rate Adjustments

The impact of the recommended water and wastewater rate adjustments on a typical residential monthly bill is an increase of approximately 2.5% during each of the next two years. The impact of these rate adjustments for commercial and industrial customers ranges from approximately 1% to 5%, again over the next biennial budget period (see Exhibit A). These water and wastewater rate adjustments do not alter Tempe's standing as the low-cost utility service provider compared to the five largest cities in the valley (see Exhibit B).

The water and wastewater rate adjustments are concurrent with the FY 01/03 biennial operating and capital Water Utilities Department budget. The first water and wastewater rate adjustments would become effective November 1, 2001 and the second water and wastewater rate adjustments would become

effective November 1, 2002.

Development Fee Adjustments

The average total development fee adjustment for both water and wastewater development fees combined is an increase of approximately 65%. Although this is a significant increase, Tempe's water and wastewater development fees remain among the lowest in the valley (see Exhibit C).

The development fee adjustment would become effective January 11, 2002.

Water Rate and Wastewater Rate Change Process

Pursuant to A.R.S. 9-511.01, a copy of the rate change report must be filed with the City Clerk and a "Notice of Intention" must be adopted at least 30 days prior to a public hearing. The notice of intention must be published at least 20 days prior to the public hearing. After holding the public hearing the council may adopt the rate change.

Development Fee Change Process

Pursuant to A.R.S. 9-463.05, a copy of the rate change report must be filed with the City Clerk and a "Notice of Intention" must be adopted at least 30 days prior to a public hearing. The public hearing must be held at least 14 days prior to the adoption of the rate change.

In order to proceed with these utility rate and fee modifications, the City must first adopt Notices of Intention and conduct public hearings. Attached are the notices setting the time and date of the public hearings (September 13, 2001).

Recommendation

Adopt the Notices of Intention setting the time (7:30 p.m.) and the date (September 13, 2001) for the public hearings to modify water rates, wastewater rates, and development fees. The effective dates of the water and wastewater rate increases would be November 1, 2001 and November 1, 2002. The effective date of the development fee increase would be January 11, 2002.

NOTICE OF INTENTION

A public hearing has been set for September 13, 2001, in the City Council chambers, 31 East Fifth Street, Tempe, Arizona at 7:30 p.m. for the purpose of receiving public comment on proposed water rate modifications. Information relating to the fee change is available at the City Clerk's office, 31 East Fifth Street, Tempe, Arizona.

NOTICE OF INTENTION

A public hearing has been set for September 13, 2001, in the City Council chambers, 31 East Fifth Street, Tempe, Arizona at 7:30 p.m. for the purpose of receiving public comment on proposed wastewater rate modifications. Information relating to the fee change is available at the City Clerk's office, 31 East Fifth Street, Tempe, Arizona.

NOTICE OF INTENTION

A public hearing has been set for September 13, 2001, in the City Council chambers, 31 East Fifth Street, Tempe, Arizona at 7:30 p.m. for the purpose of receiving public comment on proposed development fee modifications. Information relating to the fee change is available at the City Clerk's office, 31 East Fifth Street, Tempe, Arizona.

DRAFT - Schedule for	Water/Wastewater	Rate Adjustments
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July 26, 2001 Counc	il Issue Review Session – Review of proposed water/wastewater rates with City Council.
August 9, 2001	Supply written report of data supporting rate increase to the City Clerk (at least 30 days prior to the September 13, 2001 Public Hearing).
August 9, 2001	Adopt Notice of Intention to set time and date of the Public Hearing (at least 30 date prior to the Public Hearing).
August 23, 2001	Publish Notice of Intention in newspaper (not less than 20 days prior to the Public Hearing).
September 13, 2001	Hold Public Hearing and Adopt Rate Adjustments.
November 1, 2001	Effective date of rate adjustments (at least 30 days after the rate resolution is adopted).
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DRAFT – Schedule fo	or Water/Wastewater Development Fee Adjustments
July 26, 2001 Counc	il Issue Review Session – Review of proposed water/wastewater rates with City Council.
August 9, 2001	Supply written report of data supporting fee increase to the City Clerk (at least 30 days prior to the September 13, 2001 Public Hearing).
August 9, 2001	Adopt Notice of Intention to set time and date of the Public Hearing (at least 30 days prior to the Public Hearing).
September 13, 2001	Hold Public Hearing.
October 11, 2001	Adopt Development Fees (at least 14 days after Public Hearing).
January 11, 2001	Effective date of adjusted development fees (at least 90 days after the fee resolution is adopted).

City of Tempe
Water & Sewer Utility Bill Comparison
Proposed Rates - FY 2001-2002

Industrial Industrial					Residential			
Semi-ConductorFood Processor	- High Strength Avg.	 Medium Strength Avg. 	 Low Strength Avg. 	 Multi. Family Avg. 	 Single Family Avg. 	Category		
30,000,000	65,000	160,000	57,000	50,600	15,000	Consumed (2)	Gallons	
34,243.45	103.07	209.64	94.30	87.28	20.35	Water		
500.00	110.66	198.00	70.79	60.57	11.79	Sewer		Current Rates
140,743.45	213.73	407.64	165.09	147.85	32.14	Bill	Total	03
34,846.67	105.17	213.64	96.24	89.09	20.78	Water		FY 200
107,700.00	115.05	211.20	75.92	62.49	12.17	Sewer		01-2002 (Recommended
142,546.67	220.22	424.84	172.16	151.58	32.95	Bill	Total	ımended)
2%	2% 2%	2%	2%	2%	2%	Water		9,
1%	4% 9%	7%	7%	3%	3%	Sewer		% Change
1.3%	3.0%	4.2%	4.3%	2.5%	2.5%	BII	Total	

- 3 The following meter sizes are assumed: Residential Single Family - one 5/8"; Multi. Family and all commercial - one 2.0"; Industrial Semi-Conductor - two 6"; Industrial Food Processor - two 3".
- (2) Reflects average water consumption for each customer category: the amount discharged to the sewer is based upon the applicable "return to sewer" factor for each sewer category.

City of Tempe
Water & Sewer Utility Bill Comparison
Proposed Rates - FY 2002-2003

Residential Residential Commercial Commercial Commercial Industrial	
Category - Single Family Avg Multi. Family Avg Low Strength Avg Medium Strength Avg High Strength Avg Semi-Conductor - Food Processor	
Gallons Consumed (2) Water 15,000 20.78 50,600 89.09 57,000 96.24 160,000 213.64 65,000 105.17 60,000,000 69,924.07 30,000,000 34,846.67	
Water 20.78 89.09 96.24 213.64 105.17 69,924.07 34,846.67	FY 2001
Total Sewer Bill 12.17 32.95 62.49 151.58 75.92 172.16 211.20 424.84 115.05 220.22 81,600.00 151,524.07 107,700.00 142,546.67	FY 2001-2002 (Recommended)
Total Bill 32.95 151.58 172.16 424.84 220.22 151,524.07 142,546.67	ımended)
Water 21.29 90.93 98.20 217.66 107.29 71,134.99 35,449.95	FY 200
Sewer 12.45 63.93 81.05 224.40 119.44 88,200.00 108,300.00	2-2003 (Recom
Total Bill 33.74 154.86 179.25 442.06 226.73 159,334.99 143,749.95	mended)
Water 2% 2% 2% 2% 2% 2% 2% 2% 2%	9
Sewer 2% 7% 6% 4% 4% 8%	% Change
Total Bill 2.4% 2.2% 4.1% 4.1% 3.0% 5.2% 0.8%	

- 3 The following meter sizes are assumed: Residential Single Family - one 5/8", Multi. Family and all commercial - one 2.0"; Industrial Semi-Conductor - two 6"; Industrial Food Processor - two 3".
- (2) Reflects average water consumption for each customer category: the amount discharged to the sewer is based upon the applicable "return to sewer" factor for each sewer category.

City of Tempe
Comparisons of Tempe Proposed Rates
Utility Bills with Local Municipalities

Commercial - High Strength Water Sewer Environmental	Commercial - Low Strength Water Sewer Environmental Total	Mulit. Family Water Sewer Environmental Total	Single Family Water Sewer Environmental Total
ength 103.07 110.66 - 213.73	ength 94.30 70.79 - 165.09	87.28 60.57 - 147.85	Tempe Current F 20.35 11.79 - 32.14
105.17 115.05 - 220.22	96.24 75.92 - 172.16	89.09 62.49 - 151.58	Proposed 20.78 12.17 - 32.95
167.32 173.69 32.92 373.93	150.12 89.14 16.89 256.16	135.07 107.92 20.45 263.44	Scottsdale 35.77 15.39 4.16 55.32
124.35 128.58 24.48 277.42	108.95 54.62 23.41 186.98	96.63 54.73 20.78 172.14	Oth Phoenix 23.05 14.47 1.60 39.12
169.75 126.60 - 296.35	151.59 66.56 - 218.15	137.06 58.37 - 195.43	Other Valley Cities Mesa 32.29 15.41 - 47.70
164.71 113.22 - - 277.93	149.83 84.45 - 234.28	137.93 72.72 - 210.65	Chandler 26.61 14.26 - 40.87
105.83 312.92 - 418.75	96.07 85.86 - 181.93	101.71 91.63 - 193.34	Glendale 27.26 20.00 - 47.26

City of Tempe Comparisons of Tempe Proposed Rates Utility Bills with Local Municipalities

	Tempe	be		₽	Other Valley Cities	S	
	Current	Proposed	Scottsdale	Phoenix	Mesa	Chandler	Glendale
Industrial - Semi-Conductor	ductor						
Water	68,713.35	69,924.07	129,434.15	115,600.12	136,516.60	112,283.60	73,465.38
Sewer	75,000.00	81,600.00	87,105.19	54,232.24	108,826.14	104,400.12	99,603.55
Environmental	ŧ	1	16,509.05	27,858.29	1,066.67	1	al and an analysis of the same
Total	143,713.35	151,524.07	233,048.39	197,690.65	246,409.40	216,683.72 173,068.93	173,068.93
Industrial - Food Processor	cessor						
Water	34,243.45	34,846.67	64,371.00	57,821.57	68,197.70	n/a	36,706.04
Sewer	106,500.00	107,700.00	130,872.79	147,272.89	239,812.85	n/a	150,303.55
Environmental		1	24,804.32	13,447.86	1,066.67	n/a	No. of the Contract of the Con
Total	140,743.45 142,546.67	142,546.67	220,048.11	220,048.11 218,542.33	309,077.22	n/a	187,009.59
			HARLING CONTROL OF THE PERSON		Section of the sectio		

- Ξ commercial - 2.0"; Industrial Semi-Conductor - two 6"; Industrial Food Processor - two 3". The following meter sizes are assumed: Residential Single Family - one 5/8"; Multi. Family and both
- (2) Assumes the following water consumption levels in gallons: Single Family - 15,000; Multi. Family - 50,600; Industrial Food Processor - 30000000 Commercial Low Strength - 57,000; Commercial High Strength - 65,000; Industrial Semi-Conductor - 60,000,000;
- (3) Reflects rates for customers within the respective city limits.
- **4** Reflects weighted average seasonal water rates for Phoenix and western zone rates for Mesa.
- (5) The City of Chandler does not have high strength industrial discharges.